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MEMORANDUM

TO: Agency Director and Fiscal Officer

FROM: F. Mike Stormes, Administrator for Fiscal & Budget

DATE: January 9, 2004

SUBJECT: PBB-Mid-Year Interim Progress Report

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Enclosed you will find instructions and information regarding the submission of the Mid-Year Interim Progress Report required by A.C.A §19-4-606 (b)(7)(A). Your agency has an approved Strategic Plan for the fiscal periods 2003-2007, including the measures on which you planned to document progress towards performance goals for each program. The Report is intended to provide the Governor and the Legislature an update on that progress and is due in this Office by January 30, 2004.

This is the first Interim Progress Report prepared under the Performance Budgeting and Accountability System (PBAS). While I hope the instructions and fairly simple format are helpful in completing the Report, this first implementation will invariably have its problems. It is also possible that some changes may occur as we work with the Legislative Performance Based Budgeting Committee in implementing this law. This Office and your Budget Analyst are available to assist in any way we can. I appreciate your understanding of the short time frame for completion. Future reporting will allow the full 1 & 1/2 month window for preparation that has been designed into the PBAS process.

Please feel free to call me or staff in the Office of Budget should you have any concerns or questions regarding this requirement.

FMS:lh

Enclosures

# **INSTRUCTIONS**

for preparation of the

## **MID-YEAR INTERIM AGENCY PROGRESS REPORT**

**FOR FISCAL YEAR 2004**



### **Performance Budgeting and Accountability System**

**DEPARTMENT OF FINANCE & ADMINISTRATION**

**OFFICE OF BUDGET**

# **I N D E X**

## **MID-YEAR INTERIM AGENCY PROGRESS REPORT**

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**INSTRUCTIONS ARE AVAILABLE ON THE DFA - OFFICE OF BUDGET WEB SITE**  
**[www.accessarkansas.org/dfa/budget](http://www.accessarkansas.org/dfa/budget)**

# **GENERAL INSTRUCTIONS FOR PREPARATION OF THE MID-YEAR INTERIM AGENCY PROGRESS REPORT FOR THE PERIOD ENDING 12/31/03**

In order to implement provisions of the General Accounting and Budgetary Procedures Act (Arkansas Code Annotated §19-4-606 (b)(7)(A)) the following procedures are provided to assist agencies in completing the Mid-Year Interim Agency Progress Report:

Performance Budgeting and Accountability System agencies enumerated in Section 3(A) of Act 1463 of 2003 are required to submit a semiannual progress report to the Arkansas Legislative Council. An electronic copy of the attached progress report should be completed and returned to your Budget Analyst at the DFA – Office of Budget by January 30, 2004. The Office of Budget must submit the agency progress reports to the Bureau of Legislative Research by February 17, 2004.

These instructions are also available on the DFA - Office of Budget web site at:

[www.accessarkansas.org/dfa/budget](http://www.accessarkansas.org/dfa/budget)

## **DEFINITIONS**

- **MID-YEAR INTERIM AGENCY PROGRESS REPORT:** A semiannual report containing the progress each program has achieved in meeting performance goals during the first six months of the fiscal year. The report consists of two sections: Agency Update and Assessment and Performance Indicators.
- **FUNDS CENTER:** An appropriation granted by the General Assembly to make expenditures and incur obligations, **IF FUNDS ARE AVAILABLE**, for a program. Each PBB program is represented in AASIS with a funds center code.
- **SUB FUNDS CENTER:** One or more objectives may be linked to a PBB program. Each objective is represented in AASIS with a sub funds center code. Cost centers are assigned at the objective level in AASIS. Annual Operation Plans were prepared at the objective level.

The Office of Budget will review and forward the mid-year interim agency progress reports to the Bureau of Legislative Research for submission to the Legislative Committees. Analysts in the Office of Budget are available to advise and assist agencies as necessary.

## SECTIONS OF THE INTERIM PROGRESS REPORT :

- Agency Update and Assessment (Required)
- Performance Indicators (Required)

### Agency Update and Assessment Section:

This section of the report should provide on specific issues as listed below. All agencies should respond to items 1,2,3 and 4. Agencies operating under performance-based appropriations should additionally respond to item 5.

- 1) EMERGING ISSUES AT THE FEDERAL (NATIONAL) OR STATE LEVEL AFFECTING THE AGENCY.** [Briefly describe significant legislative, policy or fiscal matters expected to impact the agency occurring at either the federal (national) or state level.]
- 2) STATUS OF ANY NEW INITIATIVES FUNDED FROM GENERAL REVENUE OR GENERAL IMPROVEMENT FUNDS IN THE 2003 LEGISLATIVE SESSIONS AND OTHER CHANGES MADE THROUGH GENERAL LEGISLATION.** [Generally, this item refers to major general revenue change level requests or new programs or projects funded from general revenue or the General Improvement Fund. Additionally, agencies should address the status and impact of significant general legislation passed subsequent to the approval of the current strategic plan.]
- 3) DISCUSS SIGNIFICANT FACTORS INTERNAL AND EXTERNAL TO THE AGENCY AFFECTING AGENCY PERFORMANCE.** [Briefly identify significant matters outside the agency's control that are impacting the achievement of planning levels of performance as reflected in the agency's strategic plan (reporting agencies not operating under performance-based appropriations) or the agency's operating appropriation act (agencies with targets in the operating appropriation act).]
- 4) PROVIDE COMMENTS ON THE USEFULNESS AND RELIABILITY OF PERFORMANCE MEASURES.** [Briefly discuss any concerns regarding the relevance and value of approved performance measures and describe any known significant limitations or qualifications of performance information reported in Section II. Performance Indicators section of the interim progress report.]
- 5) DISCUSS SIGNIFICANT USES OF LINE ITEM FLEXIBILITY IN THIS REPORT PERIOD (AGENCIES OPERATING UNDER PERFORMANCE-BASED APPROPRIATIONS ONLY).** [Describe any significant changes in actual expenditures at the commitment level as compared to the line item legislative amounts contained in the 2003-05 Biennial Budget Manuals.]

**Performance Indicators Section:**

This section of the report focuses on the objectives for each of the agency's programs. The approved measures and targets for each agency's program objectives are displayed in this section of the report. Agencies should enter actual results for the reporting period ending December 31, 2003 as well as any comments that may be needed to explain any significant variances between the actual results and planned levels. A section has been provided at the end of the program objectives for additional comments. Agencies should provide results for each measure.

## **INSTRUCTIONS FOR COMPLETING THE MID-YEAR INTERIM AGENCY PROGRESS REPORT**

**All agencies** listed in Section 3(A) of Act 1463 of 2003 are required to submit a semiannual progress report to the Arkansas Legislative Council. The reporting period for the mid-year interim agency progress report is July 1, 2003 – December 31, 2003. The two sections of the progress report are: Agency Update and Assessment and Performance Indicators.

### **MID-YEAR INTERIM AGENCY PROGRESS REPORTS MUST BE SUBMITTED TO THE OFFICE OF BUDGET BY JANUARY 30, 2004.**

Agencies will receive an electronic copy of the interim progress report containing their approved programs, objectives, measures and targets. Agencies should complete the two sections of the report and electronically return the report to their budget analyst. Analysts in the Office of Budget are available to advise and assist agencies as necessary.

#### **Agency Update and Assessment Section:**

Agencies should respond to each of the five (5) statements contained in this section of the report. If a response is not warranted, please indicate with "Not Applicable", "No Response Required", or "None". Click in the cell below each statement to enter the necessary information. Save the comments entered by clicking on the save icon located at the top of the screen. Proceed to the Performance Indicators Section.

#### **Performance Indicators Section:**

The approved measures and targets for each of your agency's program objectives are displayed in the first columns of this report. Agencies should enter actual results in the **ACTUAL YTD Column** for the reporting period ending December 31, 2003. A **COMMENTS Column** has been provided for agencies to explain any significant variances that may exist between the actual results and planned levels of the approved performance measures. Agencies should provide results for each measure. If a response is not possible, then agencies should indicate with "No Data Available" in the **COMMENTS Column**. At the end of each list of objectives, there is a space provided for any overall comments that may need to be added to address any significant variances. Save the data entered by clicking on the save icon located at the top of the screen.

The following pages are examples of the two sections of the Mid-Year Interim Agency Progress Report that must be completed.

# 0470 - Department Of Information Systems

## Interim Progress Report for the reporting period July 1, 2003 - December 31, 2003

### Section I. Agency Update and Assessment

#### **1. Emerging Issues at the Federal (National) or State level affecting the agency.**

Emerging issues affect our performance in developing an organization and a network of services capable of meeting the growing needs of our customers in such areas as data warehousing, network infrastructure, wireless phone services, expanded internet/e-mail connectivity, and web-based application development. In addition, DIS continues to work diligently to improve and expand support services for AASIS. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) calls for government to improve the efficiency and effectiveness of the health care system through the development of a health information system by establishing standards and requirements for the electronic transmission of certain health information. HIPAA stands as a critical emerging issue that may impact the performance of DIS.

#### **2. Status of any new initiatives funded from General Revenue or General Improvement funds in the 2003 Legislative Sessions and other changes made through General Legislation.**

DIS does not currently receive General Revenue or General Improvement funds. However, under the leadership of the Executive Chief Information Officer, a service network has been developed to design and manage the state's core shared information technology infrastructures in a reliable and customer-oriented manner. Other initiatives include the implementation of appropriate technologies to exchange and share information. Technical standards have also been developed to support the state's shared technical architecture. These activities should have a positive affect on our Production, Customer Service, and other programs and meeting the targets set forth in Act 1627 of 2003.

#### **3. Discuss significant factors internal and external to the agency affecting agency performance.**

The demand, scope, and variety of services required by our customers is constantly expanding and changing. DIS must be vigilant in responding to changing demands. One emerging factor is the expansion of services offered by the state via the internet and telephone. Critical to this theme is meeting the security requirements necessary for transactions involving personal customer information and financial accounts.

#### **4. Provide comments on the usefulness and reliability of performance measures.**

The performance measures included in our Strategic Plan are useful in evaluating the overall programs of this agency. These measures are significant, and are directly related to the agency's overall mission, goals and objectives. To ensure reliability, the measures are accurate and verifiable, and are based upon acceptable data collection and processing procedures. The effort measures reflect a numerical count of resources used in performing the strategies; the output measures reflect a numerical count of services produced; the outcome measures indicate the actual impact or effect of program; and the efficiency measures reflect the program's cost associated with producing the desired outcome or output.

#### **5. Discuss significant uses of line item flexibility in this report period (agencies operating under Performance-Based Appropriations only).**

In order to more effectively serve our customers, specifically in the Production and Customer Service Program areas, DIS has thus far been able to take advantage of line item flexibility to: (1) seamlessly target available funding and authority to support outsourcing of certain training and marketing functions and (2) adjust and, in some cases, reduce personal services costs as a result of select and efficient use of consultant services. These actions were taken in light of stated program performance expectations while recognizing the necessity to provide these services in a value-oriented manner.



**Section II. Performance Indicators****Program 1: Administration & Customer Support Services Program**

**Goal 1:** To provide quality financial services to our technologist, accurate record keeping for our customer and feedback to our agency for customer demand of technology products and services

**Objective 1:** To provide administrative and support services to enable the department to accomplish the mission of the department

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	% of Agency Performance targets met.	85%	50%	Various targets are time specific and cannot truly be measured until year-end.
2	% of Agency Staff and Budget in the Administration Program compared to total agency positions and budget.	11.4%	12.0%	
3	Number of prior year audit findings repeated in subsequent audit.	0	0	
4	Percent of users satisfied with IT Services	70%	60%	
5	Percentage of staff time reported in specific project objectives other than "General Agency Overhead"	2%	1%	
6	Percentage of IT Expenditures in \$ spent through DIS	30%	29%	
7	Number of New Public Sector Customers not at the State Level	20	8	Agency is behind schedule in developing the program to solicit new public sector customers. Work on this program in the upcoming months will result in this measure meeting the target.

**Comments on performance matters related to Objective 1:**

**Section II. Performance Indicators****Program 2: Production Services**

**Goal 1:** To provide reliable products and services to the public sector of Arkansas with the capital within our department.

**Objective 1:** To provide reliable processing of applications operated for the benefit of the state's public sector.

Measure Number	Performance Indicators	Annual Target	Actual YTD	Comments
1	Number of agencies served	222	210	
2	AASIS Support Center Costs	\$11,000,000	\$2,808,080	Authorized amount reflected in Act 34 of the 1st Ex Sess of 2003 is \$6.5 million. Projected YTD expenditures will fall below the authorized level.
3	Training Costs Per Employee compared to Outsourced costs per Employee.	\$24	\$24	
4	Maintenance Costs as a % of net assets	23%	22%	
5	Overhead not including labor as a percentage of Revenue	9%	10%	
6	Total Labor costs as a percentage of Revenues	16%	17%	
7	Overhead labor as a percentage of Total Labor	5.5%	7.0%	
8	Net Income/Losses from Production Services.	0	0	

**Comments on performance matters related to Objective 1:**

**Section II. Performance Indicators****Program 3: Consulting Services**

**Goal 1:** To provide innovative and marketable solutions to the public sector of Arkansas.

**Objective 1:** To provide quality and innovative solutions for the Information Technology needs of our customers.

Measure

<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Average Length of Work in Process in Days	270	270	
2	Billable Time as a percentage of Total Department Time each month	60%	60%	
3	Outsource Costs as a percentage of total Labor costs	25%	25%	
4	Training Costs Per Employee compared to Outsourced costs per Employee.	\$5	\$5	
5	Percent of DIS Managed projects successfully completed on schedule and within budget.	75%	10%	The average project duration is 270 days and therefore several projects remain outstanding at this time.
6	Overhead not including labor as a percentage of Revenue	9%	10%	
7	Total Labor costs as a percentage of Revenue	250%		The agency will be requesting deletion of this measure from the 2005-09 Strategic Plan.
8	Overhead labor as a percentage of Total Labor	14%	16%	
9	Percentage of PEPMO staff time spent on projects/programs	60%	58%	

**Section II. Performance Indicators****Program 3: Consulting Services (Continued)**

**Goal 1:** To provide innovative and marketable solutions to the public sector of Arkansas.

**Objective 1:** To provide quality and innovative solutions for the Information Technology needs of our customers.

<u>Measure Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
10	Percentage of PEPMO Project Team who hold certification	100%	95%	Two team members are currently awaiting official certification.
11	Net Income/Losses from Consulting Services.	0	0	

**Comments on performance matters related to Objective 1:**

**Section II. Performance Indicators****Program 4: Connectivity and Communications Services**

**Goal 1:** To provide quality connection and reliability of network services using wire and wireless products for data, voice, and video

**Objective 1:** To provide quality connection to the DIS Network.

Measure				
<u>Number</u>	<u>Performance Indicators</u>	<u>Annual Target</u>	<u>Actual YTD</u>	<u>Comments</u>
1	Percentage of time network connectivity is functional and available per 24 hour day.	99%	99%	
2	Number of agency agreements for telecommunications services per year.	199	173	
3	Average cost per minute to customers for long distance.	.075	0.073	
4	Average cost per megabyte to customers for network services	\$273.77	\$269.00	
5	Net Income/Losses from Communication Services.	0	0	

**Comments on performance matters related to Objective 1:**